

1.1 Qualified Opinion

The audit of the financial statements of the Institute of Human Resource Advancement affiliated to the University of Colombo for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-section 108(1) of the Universities Act and Section 17 of the Institute of Human Resource Advancement Ordinance, No. 1 of 2003 enacted under Sub-section 107 (5) and Section 18 of the Universities Act, No. 16 of 1978 and in terms of provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observation is made.

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
Action had not been taken to review the useful life of two software totalling Rs. 1,261,285, which were fully depreciated but still being used and to disclose in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 3.	Necessary action will be taken to review duly and to account during the year of accounts as pointed out by the Audit.	It should be brought to account in terms of Sri Lanka Public Sector Accounting Standard.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Depreciated value and net value of the year relating to property, plant and equipment indicated in the financial statements as at the end of the year under review had been understated by Rs.775,847 and Rs.1,211,405 respectively due to computation errors.	Action will be taken to rectify.	It should be brought to account accurately.
(b) The Amortized value of office equipment amounting to Rs.4,453,544 had been accounted twice in the value of Rs.16,362,827 indicated in the statement of financial performance as amortization for the year 2020 and as such, surplus and capital grants of the year had been over computed and under computed respectively by the same amount.	Action will be taken to rectify within the next year of accounts.	It should be brought to account accurately.
(c) The value of the motor vehicle amounting to Rs.3,800,000 received as a grant during the year under review had been brought to account as a revaluation profit instead of accounting as a grant. As such, the revaluation surplus had been overstated by the same amount.	Audit observation is correct. Accurate accounting relating to the acquisition of the motor vehicle will be done in accounts of the year 2021.	It should be brought to account accurately.

1.7 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

The following observations are made.

Reference to Laws, Rules, Regulations	Non-compliance	Comments of the Management	Recommendation
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(a) University Grants Commission Circular No. 13/2015 of 18 September 2015	A total sum of Rs. 113,316 had been overspent for 691 litres of fuel used during the year 2020, exceeding the monthly fuel limit of 150	The said expenditure had occurred due to heavy schedule of official duties assigned to the Director and participation in	Action should be taken in terms of circular provisions.

litres approved for the official vehicle of the Director. workshops by him. Prompt action will be taken to furnish further particulars thereon.

- (b) Public Finance Even though reports on Boards of Survey for the year under review should be furnished to the Auditor General before 17 March 2021, reports of the year had not been furnished to Audit up to 21 April 2021. There was no possibility of conducting a meeting of the Board of Management up to now due to the revision made to the Ordinance of the Institute after 15.02.2021. Minutes of the 425th Committee Meeting will be furnished to the Auditor General after obtaining the approval at the Committee Meeting of the new Board of Management. Action should be taken in terms of circulars.

2. Financial Review

Financial Results

The operating result of the Institute of Human Resource Advancement for the year under review had been a surplus of Rs.37,713,081 as compared with the corresponding surplus of Rs. 13,850,428 in the preceding year, thus observing an improvement of Rs. 23,862,653 in the financial result. The increase in recurrent grants by Rs. 16,715,000 and decrease in personal emoluments by Rs. 13,913,321 had been the main reason for the said improvement.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
Even though a software which was fully depreciated as at 01 January 2018 as Geo Informatics System costing Rs. 980,000 under intangible assets, has been brought to account up to the year under review, it was observed that the aforesaid software has remained idle without being used since the year 2018 itself.	Even though the said software was purchased for a specific course, the relevant course is not conducted by now and as a result, annual renewals as well are not carried out. As such, the said software is not in use at present.	Necessary action should be taken to dispose it under proper approval.